

**FREQUENTLY ASKED QUESTIONS FOR  
BANK INDONESIA REGULATION NO.16/19/PBI/2014  
CONCERNING AMENDMENT TO PBI NUMBER 15/17/PBI/2013  
ON HEDGE SWAP TRANSACTIONS TO BANK INDONESIA**

**1. Q : What is the background of this improvement to the regulation on Hedge swap transaction to Bank Indonesia?**

**A :** Improvement to PBI No. 15/17/PBI/2013 concerning Hedge Swap Transactions to Bank Indonesia is in line with the efforts to encourage the growth of derivative transactions in domestic foreign exchange market. This improvement to regulation aims to enhance the effectiveness of hedge swap transactions implementation to Bank Indonesia, which then is expected to provide positive impact on the efforts to accelerate the deepening of domestic foreign exchange market.

**2. Q : Can banks perform Hedge Swap Transactions to Bank Indonesia using underlying in the form declared business funds?**

**A :** Yes. In the event the underlying transaction is possessed by the Bank, the underlying transaction in the form of declared business funds can be used by the concerned Bank as underlying of hedge swap transaction to Bank Indonesia.

**3. Q : May banks perform hedging contract extensions to Bank Indonesia, and how long the term of the referred extension shall be?**

**A :** Yes. Banks may perform hedging contract extensions to Bank Indonesia with a term of extension not to exceed the remaining term of the underlying transaction, with a contract extension not exceeding 3 years.

**4. Q : How long is the extension term of Hedge Swap Transaction to Bank Indonesia?**

**A :** The extension term of hedge swap transactions to Bank Indonesia is 3 months, 6 months, 12 months, or in accordance with the remaining term of the hedging contract, with an extension of 3 months at minimum or 12 months at maximum.

**5. Q : What are the requirements that must be met by Banks when they perform**

**extension of hedging contract to Bank Indonesia?**

**A :** The requirements for the extension of hedging contracts to Bank Indonesia are as follows:

- a. Using the same type of underlying transactions in accordance with the underlying specified in the initial hedging contract;
- b. In the event the type of underlying transaction is possessed by the Bank, the nominal value of the hedging contract extension to Bank Indonesia must not exceed the outstanding value of the Bank's foreign loans or declared business funds; and
- c. The term of the hedging contract extension to Bank Indonesia must not exceed the remaining term of the underlying transaction, with a contract extension not exceeding 3 years.

**6. Q : What are the requirements that must be met by Banks when they perform extensions of Hedge Swap Transactions to Bank Indonesia?**

**A :** The requirements for extending hedge swap transactions to Bank Indonesia are as follows:

- a. Using valid hedging contracts;
- b. Using the same type of underlying transaction in accordance with the reference number specified in the hedging contract;
- c. If the type of the underlying transaction is possessed by the Bank, the nominal value of the hedge swap transaction extension must not exceed the outstanding value of the Bank's foreign loans or declared business funds; and
- d. The term of the hedge swap transaction extension to Bank Indonesia is 3 months, 6 months, 12 months, or in accordance with the remaining term of the hedging contract with a minimum extension of 3 months and a maximum of 12 months.

**7. Q : Can settlements of Hedge Swap Transaction extensions to Bank Indonesia at the time of hedging contract extensions be done by netting?**

**A :** Yes. Settlements of the hedge swap transaction extensions to Bank Indonesia can be done by netting, including at the time of hedging contract extensions.

**8. Q : Can Hedge Swap Transactions performed by Banks with Bank Indonesia be**

**considered as a pass-on of Banks' derivative transaction position with the Banks' related parties?**

**A :** Yes. In the event Banks perform hedge swap transactions to Bank Indonesia, the referred transaction can be considered as a pass-on of the concerned Bank's derivative transaction position with the Bank's related parties.

- 9. Q :** What are the sanctions for banks violating any of these following rules:
- a.** banks' obligations to be responsible for the completeness of authentic documents of underlying hedge swap transaction to Bank Indonesia and photocopy documents of underlying sale swap transaction between Banks and customers; and/or
  - b.** banks' obligations to specify the hedging contract reference numbers at the deal conversation of hedge swap transaction extensions to Bank Indonesia.

**A :** Any Bank that conducts such violation shall be imposed with a written warning.

- 10. Q :** What are the sanctions for banks violating any of these following rules:
- a.** requirements at the time performing hedge swap transactions to Bank Indonesia;
  - b.** requirements when performing hedging contract extensions;
  - c.** requirements when performing hedge swap transaction extensions to Bank Indonesia; and/or
  - d.** prohibitions from using the same underlying transaction for more than one hedging contract and one hedge swap transaction to Bank Indonesia.

**A :** Banks that perform such violations shall be penalized with a written warning and a financial penalty of 1‰ (one per mil) from the value of hedge swap transaction to Bank Indonesia in Rupiah denomination using JISDOR at the transaction date and it shall not exceed Rp1,000,000,000.00 (one billion rupiah) per hedge swap transaction to Bank Indonesia.